

# INDUSTRY CIRCULAR

OFFICE OF THE COMMISSIONER OF INTERNAL REVENUE  
ALCOHOL AND TOBACCO TAX DIVISION

WASHINGTON 25, D. C.

Industry Circular No. 59-59

December 2, 1959

## OVERAGES AND SHORTAGES OF LARGE CIGARS

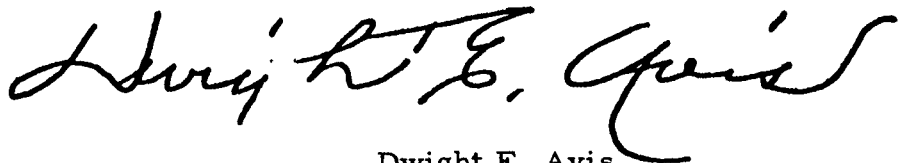
Manufacturers of large cigars:

**Purpose.** The purpose of this industry circular is to inform you of the position of the Revenue Service concerning overages and shortages of large cigars disclosed by physical inventory.

**Background.** A comprehensive study has been conducted as to the overages and shortages that are frequently disclosed by physical inventories in factories producing large cigars and which, in the case of shortages, are sometimes accounted for as "reduced to materials," or "consumed by employees," or by understating the quantities of cigars produced. During this study, we have been repeatedly assured by many manufacturers of large cigars that these overages and shortages occur mainly because large cigars are difficult to accurately count when in a loose condition and in large quantities, and are susceptible to loss and breakage during grading, sorting, and packaging operations which generally are performed many days after the cigars have been made (and so recorded).

**Comments.** In order that your records and reports may accurately reflect your operations and transactions, each overage and shortage of cigars disclosed by physical inventory should be entered in your records and the net overage or net shortage during any month should be reported on Form 2136 submitted for that month. Shortages so reported will be considered for allowance if they are found to be in reasonable quantities and consistent with operating conditions at your factory.

**Inquiries.** Inquiries in regard to this industry circular should refer to its number and be addressed to the office of your assistant regional commissioner (alcohol and tobacco tax).



Dwight E. Avis  
Director, Alcohol and Tobacco Tax Division